

**EXHIBIT 12**

## DEASEY, MAHONEY & BENDER, LTD.

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SHERYL L. BROWN

February 26, 2007

### CERTIFIED MAIL

#### RETURN RECEIPT REQUESTED

Blackwater Security Consulting, LLC

Blackwater Lodge and Training Center, Inc.

550 Puddin Ridge Road

Moyock, North Carolina 27958

Attention: Gary Jackson, President

Re: Nordan, et al. v. Blackwater Security Consulting, LLC  
WSLIC Policy No. GLW-778197

Dear Mr. Jackson:

On behalf of Westchester Surplus Lines Insurance Company (WSLIC), we wish to update you regarding WSLIC's position regarding Blackwater's request for reimbursement of attorneys' fees and expenses incurred in the Nordan litigation. Previously, by letter dated May 18, 2005, WSLIC agreed to undertake reimbursement for reasonable defense costs pursuant to the policy and in conjunction with other carriers that may have coverage which may apply to the Nordan claim. Subsequently, Blackwater has presented WSLIC with law firm invoices and met with counsel for WSLIC and Fidelity and Casualty Company of New York ("CNA") on December 13, 2006 to discuss issues with respect to the submitted invoices.

Based on information received from Blackwater and its counsel at the December 13, 2006 meeting, WSLIC wishes to advise Blackwater that WSLIC will not reimburse Blackwater for the invoices submitted by the law firm of Flicker & Garelick for the following reason. It is WSLIC's understanding that Flicker & Garelick was retained to serve as special "Defense Base Act" counsel. In this connection, it is WSLIC's understanding that Flicker & Garelick is principally involved in the compensation proceeding before the Defense Base Act ("DBA") administrative law judge. As we advised at the December meeting, the compensation claims under the DBA before the administrative law judge have never been submitted to WSLIC for consideration. We advised Blackwater's counsel that if Blackwater wished to submit these

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TO

Gary Jackson, President  
February 26, 2007

claims to WSLIC for consideration, they should do so. At that time, WSLIC will determine whether the DBA claims before the administrative law judge are covered claims under the WSLIC policy referred to above.

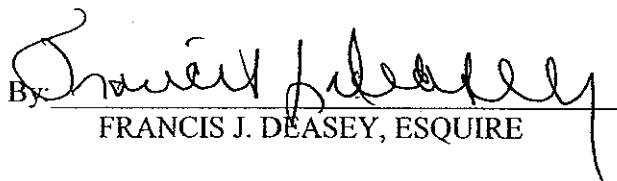
WSLIC will not reimburse Blackwater for the invoices submitted by the law firm of Crowell & Moring. Based upon the information obtained at the December meeting, it is WSLIC's understanding that Crowell and Moring is serving as "special litigation counsel" and, in this role, has filed Amicus Briefs on behalf of the Defense Contractor's Industry. Please be advised that the WSLIC policy referred to above does not provide coverage to the Defense Contractor's Industry. Rather, the WSLIC policy referred to above provides coverage to Blackwater Security Consulting, LLC, et al. pursuant to the terms and conditions of the WSLIC policy. For this reason, WSLIC respectfully declines Blackwater's request for reimbursement of attorneys' fees and expenses associated with the retention of the Crowell and Moring law firm.

At the December meeting WSLIC also learned that Blackwater has retained lead and local counsel for the individual Defendants, Justin McQuown and Tom Powell. WSLIC questioned the necessity for retention of separate counsel for these individuals and was advised that there was a real or potential conflict of interest necessitating the retention of separate counsel. At the December meeting, WSLIC requested additional information in order to analyze the necessity for the retention of separate counsel. To date, this information has not been forthcoming. WSLIC once again renews its request for information supporting Blackwater's decision to retain separate counsel to represent the individual Defendants, McQuown and Powell. Until this information is forthcoming, WSLIC hereby reserves its right to deny Blackwater's demand for reimbursement for fees and expenses incurred in connection with the retention of separate counsel for the individual Defendants referred to herein.

Please be advised that WSLIC incorporates by reference herein its Reservation of Rights of May 18, 2005 and specifically reserves all rights pursuant to the terms, conditions, definitions and provisions of the WSLIC policy referred to above and applicable law. All such rights are specifically reserved including, but not limited, to the right to deny and/or disclaim and/or limit coverage in the future.

Very truly yours,

**DEASEY, MAHONEY & BENDER, LTD.**

By:   
FRANCIS J. DEASEY, ESQUIRE

FJD/mr

cc: Howard T. Weir, Esquire

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 Blackwater Security Consulting,  
 Blackwater Lodge & Training  
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 550 Puddin Ridge Road  
 Moyock, North Carolina 27958  
 Attention: Gary Jackson, Pres.

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Blackwater

